

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS KUWAIT 002831

SIPDIS

SENSITIVE

NEA/ARPI PLEASE PASS TO DICK JONES
LONDON FOR GOLDRICH/TSOU

E.O. 12958: N/A

TAGS: [ECON](#) [EAID](#) [KU](#) [IZ](#) [KUWAIT](#) [IRAQ RELATIONS](#)

SUBJECT: GOK INCREASES IRAQI GRANTS TO \$125 MILLION; PLANS
FOR \$440 MILLION IN SOFT LOANS

REF: KUWAIT 2730

This cable is sensitive but unclassified; please protect
accordingly. Not for Internet distribution.

1. (U) In a June 25 conversation with Econ Officer, Kuwait Fund for Arab Economic Development Deputy Director Hisham Al-Waqayan commented on Foreign Minister Shaykh Dr. Mohammad Al-Sabah's statements concerning additional aid for Iraq made at the Brussels Conference on June 22. Local newspapers reported on June 23 that the FM announced at the conference that the GOK would provide a total of \$565 million in reconstruction assistance to Iraq, and that \$125 million of that amount would be provided as grants and the rest as long-term soft loans. (Note: The Kuwaiti Council of Ministers on June 19 doubled the initial \$60 million grant to \$120 million, as reported reftel.)

2. (SBU) Al-Waqayan explained that the GOK had pledged \$500 million in reconstruction assistance to Iraq in 2003, but that only \$65 million was to be in grants and the rest would be in soft loans. The Humanitarian Operations Center received \$5 million, and \$60 million was given to the Kuwait Fund to disburse for projects in the Iraqi health and education sectors, split equally between the two sectors. With the increase of the grant amount by the Council of Ministers, the total direct grants from the GOK to Iraq is \$125 million. According to Al-Waqayan, this additional \$60 million will likely be disbursed through the Kuwait Fund and may target additional projects in the education and health sectors. He noted that the Kuwait Fund had just heard about this additional grant themselves and he could not provide a definite timeline or targeted sectors for this additional grant money. The rest of the reconstruction assistance money, \$440 million, will be provided in concessionary loans, managed by the Kuwait Fund.

3. (SBU) Regarding the initial \$60 million grant, Al-Waqayan said that he had just met with the Iraqi Minister of Education and finalized plans for the Education Ministry's portion (\$30 million) of the grant money, and that the two sides were looking at setting up a joint Iraqi-Kuwaiti venture to manage the projects in that sector. He said that more information was needed from the Iraqi Ministry of Health to finalize the grants in that sector (\$30 million), but that he expected that to be accomplished soon. Regarding the \$440 in soft loans, he said that the GOK would like to target the energy sector and would look at providing \$100 million a year for the next few years, rather than all at once. He said that the Kuwait Fund has already spoken with officials from the Iraqi Oil Ministry and energy sector and would continue to do so to identify the best target projects for these loans. Overall, Al-Waqayan characterized the relationship with the Kuwait Fund's Iraqi contacts as "good" and noted that the communication and organization on the Iraqi side had improved greatly in the past month.

Visit Embassy Kuwait's Classified Website:
<http://www.state.sgov.gov/p/nea/kuwait/>

LEBARON